

The Housing Crisis and Public Policy

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Local government lives in a state of siege, criticized for its performance, diminished in its authority and burdened with ever-increasing claims on its resources. In spite of this, municipalities and their administrations retain a major role in the achievement of the good life for the mass of Canadians. This is nowhere most apparent than in the subject of my report - low-income housing - and if in the course of my remarks I too should raise some questions about the record of municipalities in this field, I hope you will accept my questions in the spirit in which they are intended, as an attempt to open up for discussion a subject that is complex, challenging and always liable to arouse strong feelings,

House and home stand at the centre of people's lives, the focal point of intensely felt needs: for shelter and security, for independence and privacy, for the nourishment of the affections and for the opportunity to develop one's interests. That the physical environment of many low-income households does not permit these kinds of satisfactions is an aspect of the housing problem that tends to get left out of discussions of such grand policy issues as the supply of mortgage funds, the number of housing starts and completions, latent potential demand as contrasted with effective demand, etc., etc.

Everyone has his own theory of the housing problem and of what is needed to solve it and those of you who attended the recent series of federal-provincial housing conferences will have been impressed with the vehemence with which these views are held. It all

depends on which aspect of the problem lies closest to one's own experience. Developers get upset at the long delays in servicing land and with the allegedly extravagant standards that are insisted upon; builders complain of the multiplicity of by-laws and regulations which, in their opinion, needlessly raise costs and delay construction; financial institutions and their customers deplore the scarcity of mortgage money, while municipalities worry, among other things, about how they are going to pay for the schools that will be required by the children who inevitably accompany every new housing development. In all of this the consumer, the person presumably for whom the whole process is taking-place, has little to say. Whatever influence he has is exercised through the market-place, through his ability to pay for the accommodation that appears best to meet his needs. The system works beautifully for some, reasonably well for many, and hardly at all for others. Its main effects is that the bulk of investment in housing finds its way into the improvement of the housing standards of those already well housed.

At different times government has introduced various aids to enable the private market to serve more people, for example, by insuring mortgages and providing direct loans. It also lends, at below market interest rates to non-profit organizations and provinces and municipalities or their agencies, and guarantees a minimum return on certain kinds of rental housing development. Each of these measures involves the use of the resources of government to provide different segments of the public with a benefit that would not otherwise be available. In the same way, assistance has been available since 1949 through the public housing

provisions of the National Housing Act to enable provinces and municipalities to subsidize the accommodation of low-income families - officially defined as the lower third of the income range - who cannot afford the prices of the private market.

Examination of the relative amounts spent on these different programs reveals that by far the largest public contribution to housing is the federal government's direct lending to the private sector. This absorbed 84 per cent of the average amount of annual investment in housing by the federal government in the period 1964-1966. Higher income people are the main beneficiaries of this program and no complaints are heard about this. In the same period loans for public housing, the program intended, presumably, for those most in need of assistance accounted for 6 per cent of government investment in housing. The private and the public dimensions would appear to be somewhat out of balance!

Average Amount of Annual Investment
in Housing by Federal Government
_____ 1964 - 1966

	Amount	Percentage
I Government lending under NHA insured loan system	\$360 million	84
II Non-profit loans for elderly persons housing, university residents, etc.	\$43*5 million	10
III Loans for public housing with subsidy available	\$26.6 million	6

The size of the group for whom the system is not working satisfactorily, even with the various aids available, has reached the point where we now speak of a housing crisis. Something has happened in the last few years to transform what has always been an acute personal

problem for some individuals and families into a nation-wide issue of considerable political importance. There is no doubt in my mind that the growing housing pinch felt by an increasing number of middle-income families has helped to generate public concern where there was indifference before.

You are all familiar with the symptoms of the crisis. We have the paradox of a large and growing latent demand for housing at the same time that housing starts, which give an indication of effective demand, suffered a 20 per cent decline from 1965 to 1966 - a situation that is likely to persist into 1967*

The rapidly rising cost of housing and the severe shortage of mortgage funds lie behind the drop in demand in the face of rising housing needs. The most spectacular cost increase has been in the price of land. Lots for houses financed under the National Housing Act increased in price by an average of 12.4 per cent from 1965 to 1966. The increase was particularly marked in the Toronto area where lots averaged \$7,097 in 1966. Construction costs, after remaining relatively stable up to 1964, have risen sharply in the past two years and the combined effect of these two factors has been a rapid rise in the price of houses. The average price of new houses financed under terms of the NHA was \$19,293 in 1966, an increase of nearly 11 per cent over 1965» The average price of properties sold through multiple listing services of the real estate boards in Canada was \$17,553; in Montreal \$23,809; and Toronto \$21,950. The problem has been compounded by a shortage of mortgage funds even for those capable of contemplating the higher prices.

The growing potential demand for housing springs from the increase in new families being formed - a result of the high birth rate after the

last war and the number of Canadians now in, or approaching, the "marriageable" age group. Current estimates suggest that net family formation in the remaining years of the sixties will run at an average rate of 108,000 annually, compared with 72,000 in the years 1960-1966, There has also been a marked increase in the number of non-family households, that is, single persons and unrelated persons maintaining their own households. Another factor is the growing need arising from obsolescence and destruction of existing housing for one reason or another. In all, it is estimated that the total potential housing demand will average about 180,000 annually for the next few years, that is 18 per cent higher than the average rate of completions achieved so far in the sixties. And this still does not take care of a backlog of unsatisfied housing need estimated at between 250,000 and 300,000 units.

The paradox noted earlier as characteristic of the last two years - a lack of effective demand in the face of rising housing needs - is an enduring fact of life for thousands of low-income families and individuals and has been so since long before the present crisis claimed our attention. For such households there is no question of turning their housing needs into effective demand because they don't have the money to do it and their only hope of obtaining decent housing depends on some form of subsidy.

Our response so far to this segment of housing need has, with one or two notable exceptions, been shamefully meagre. Just how meagre is evident from the following figures.

Low-Income Housing Units Approved for NHA Loans
(Sections 35A and 35U) as Percentage of Total Housing Starts
1949-1966

	Total Housing Starts	Public Housing Units	Public Housing as % of Total Housing Starts
1949-60	1,353,563	9,710	0.7
1961-63	404,296	2,446	0.6
1964	165,653	514	0.3
1965	166,565	2,919	1.7
1966	134,474	5,187	4.0
TOTAL	2,224,556	20,776	0.9

SOURCE: CMHC Canadian Housing Statistics, 1966. Tables 39 and 40

In the 17-year period 1949-1966, public housing units averaged less than 0.1 per cent of total housing starts, for a grand total of about 21,000 units. Investment in public housing reached its peak in 1966 when it equalled 4.0 per cent of total housing starts, most of this increase accounted for by Ontario's greatly expanded program. Without this, the proportion for the remainder of Canada would be 0.7 per cent of total housing starts.

As of June 13 this year, no more than 96 municipalities in all of Canada had made use of the public housing provisions of the National Housing Act, and more than 70 per cent of these municipalities are located in Ontario.

The housing crisis in Metropolitan Toronto has captured the national spotlight if only because of the acute form in which the problem presents itself there, the publicity it has received and the energy shown in dealing with it. But the same strong forces of population growth and

urban and industrial' development contributing to the problem in Ontario are evident in other parts of Canada too - most pronounced in the metropolitan centres but affecting smaller urban centres too. The other side of urban growth is seen in the decline of many rural areas where the possibilities for improvements in housing are linked inescapably with programs of, comprehensive regional development. The special housing problems of Indians as well as certain pockets of urban poverty call for similar comprehensive approaches of social and economic development.

Fear of adding to an already heavy tax burden must inevitably deter many municipalities from requesting public housing and certainly the local share of the housing subsidy can represent a sizeable item in the budget of a particular municipality. Nevertheless present aggregate levels of subsidy cannot be described as oppressive for the different levels of government. Total annual subsidies are currently estimated at about \$12 million, of which the federal share is about \$7*7 million, the provinces» \$3,2 million, and the municipalitiesf \$1.1 million.

Clearly there is no magic formula which tells us how much subsidized housing a country should have. This can only be assessed in the light of the quality of the existing housing stock, income levels in relation to housing costs and various other forms of direct and indirect aid that may be available. Even then, the estimate arrived at is bound to include a considerable element of value judgement. But.if it is unwise to try to apply a universal yardstick it is equally unwarranted to assume that the amount of public housing a country happens to have represents the limits of its requirements.

Last year's ratio of 4.0 per cent of housing starts in the form of public housing is an improvement over previous years! levels of less

than 1.0 per cent. But with a backlog of need in the order of 250,000 - 300,000 units, and new housing costs beyond the reach of as much as 50 per cent of the population, it offers no cause for congratulation. According to one study--", a target of 20 per cent of production would not be an unreasonable objective for our low-income housing program.

So long as the need for public intervention in housing is equated with a minority of the poor, it is difficult to develop any broad concern for the subject. Poor people have no special political influence and, in any case, it is always easy to rationalize a limited program on the grounds that the ill-housed family is probably poor in spirit as well as in income. Our culture makes it difficult to accept the proposition that people's housing conditions are first, and foremost a function of income and not of character.

Proper appreciation of the low-income housing problem has been confused for too long by talk of problem families and ghetto housing projects. Living on an inadequate income is a problem in itself and is often compounded by other personal and social disabilities; these are problems that society has a responsibility to assist with wherever they occur--and the provision of adequate housing in decent surroundings may be one of the most effective ways of helping to break the cycle of poverty. But to suggest that the principal candidates for public housing are incompetent families, is both misleading and insulting and places an impossible stigma on the program from the beginning. The result is a public housing program that is residual in every sense of the word, small in scale and perceived as primarily for the dropouts of society. It is

not surprising in these circumstances to find low-income families themselves rejecting public housing,

Alvin Schorr in his book *Slums and Social Insecurity*^{*} has indicated the shape of a low-income program that would meet more fitting social objectives. It would provide standard housing to all who are too poor to buy it in the private market, provide housing in a fashion that is open-ended, that tends to move families up the income scale, and leave them in time able to pay for private housing; and it would be sufficiently flexible and diversified to have room for those who are both poor and require protection and rehabilitation.

Perhaps the most important event of the last few years has been the recognition that a problem exists. There are even signs - as yet hardly bigger than a man's hand - that we may be more disposed than previously in our history to respond appropriately. Such a response demands an effective national housing policy and this has been lacking so far in Canada. We have had the ingredients - the legislation, the financial resources and invitations from one level of government to the other to make use of the legislation and financial aids - but this in itself is not a national housing policy. We have talked about the right of every Canadian to adequate housing in a decent environment but there has been no genuine commitment to this objective.

If we are serious in this objective - and a country as richly endowed as ours can afford no smaller objective - certain things are necessary. We need some overall philosophy and strategy to guide future developments. Periodic estimates and projections of housing

* Alvin L. Schorr, *Slums and Social Insecurity*. U.S. Department of Health, Education and Welfare, Social Security Administration, Research Report No. 1. U.S. Government Printing Office, Washington, D.C., 1963, p. 120.

requirements are also important for they enable the needs to be met to be defined and discussed in a comprehensive fashion. In this connection, it is worth noting that the projections of housing demand published by the Economic Council of Canada# have proved a powerful stimulus to national concern. They have provided a target against which to measure performance. But if global target figures are to have any real meaning, they must be translated into terms of people's capacity to pay for housing.

This kind of calculation has yet to be made by any level of government. It also involves consideration of the manner in which the resources available for housing production in the country can best be allocated among the different income groups; that is, the group that basically can take care of itself; the group which may require some assistance, say, the middle two-thirds of the income range, and the low-income group which requires more substantial assistance.

The resources of a country are not unlimited and housing policy like any other is subject to certain economic constraints. There is no reason, however, why these constraints should operate in as unpredictable a fashion as has been their tendency so far. Housing has been used as an economic regulator - to be increased when there is a threat of deflation and unemployment and dampened when overheating of the economy is the problem, without regard for the social consequences. It is in the interests of everyone - builders and lenders as well as the public at large - that building be enabled to continue in a reasonably predictable fashion and this should be a goal of policy.

Housing Bernard to 1970. report prepared by W.M. Illing for the Economic Council of Canada, 1964.

It is time to insist that the social aspects of housing be among the determinants of economic policy instead of always its unfortunate victim?

New patterns of government responsibility are emerging of considerable significance for the future. There is, for example, a growing expectation that the provinces should assume their constitutional responsibility in the housing field and exercise leadership in the setting of goals and the implementation of policies through clear and determined programs of action. Without this leadership at the provincial level, there is little likelihood of progress on the housing front; at the same time, it raises important questions about the future role of local government in housing.

Whereas the trend, at least in some provinces, is toward provincial initiative and leadership, the responsibility for initiating action still resides with the municipality. There are good reasons for insisting on local participation from the outset. Housing needs are most viable at the local level - if we care to look - and that is where inadequacies in policies and programs first make themselves known. Local government thus becomes a valuable source of "feedback". Furthermore, adequate housing involves much more than the individual dwelling - it includes considerations of open space, recreational facilities, community services, educational facilities, and so on. And local government has a vital role to play in maintaining a good community environment. Such a statement is not likely to set off enthusiastic echoes in an audience that is all too familiar with the financial difficulties of providing an adequate level of community services. Obviously any expectation of increased local effort in the low-income housing field

must be based on a realistic appraisal of the local unites fiscal capacity to support it and on a cost-sharing formula that does not raise any financial barriers to a municipality's participation.

Generally⁵ there is no provision for the systematic review of local housing conditions and needs[^], and one suggestion that has been made is that local authorities be given the specific responsibility of assessing local housing requirements in much the same way as school boards operate in the field of education, While some form of local participation in housing appears essential, it is not yet clear what kind of administrative structure and procedures are best adapted to its expression. Indications are that it will be necessary to think in terms of metropolitan and other forms of regional organization for housing purposes.

Local governmentTs role in housing is one example of the many complex issues demanding attention in the development of a coherent housing policy. Indeed, the very attempt to develop such a policy tends to expose the contradictions and deficiencies that have previously remained concealed or unheeded. While the emphasis now is quite properly on action, the necessity for careful thought to guide this action is just as imperative. Careful thought and research (but research designed to make an impact on the problems to be solved and not as a substitute for action) and frank public discussion will be required more than ever. There has to be a deliberate attempt to consult, inform and educate citizens about the issues involved and new procedures may be needed both for expressing and for educating public opinion on a national, regional and local scale.

Aware of these implications, the Canadian Welfare Council undertook last year a program of research and action on the social aspects of low-income housing, leading to a national housing conference in October 1968, the first such conference in Canada,

We started from the simple observation that the disjointed approach to low-income housing in Canada had produced far too much grief, far too few houses. We wanted to find out why, and what might be necessary to change this situation. We also realized that there were many areas in which the knowledge necessary for sound policy decisions was lacking and we therefore set out to promote the necessary research.

In preparation for the conference next year, position papers are being prepared by leading authorities on major aspects of the housing problem. This fall we shall also be inviting key persons in the ten provinces to form provincial committees for the purpose of examining the distinctive provincial characteristics of the housing problem and to suggest questions for consideration by the conference.

We expect some 500 people to attend: people in the action category, including elected representatives, public officials, representatives of interested citizen and professional organizations and of the house-building industry, as well as individuals engaged in study and research. The expectation is that the conference will propose guidelines for the development of an effective low-income housing policy, and it is our hope that it might continue as a permanent forum for the consideration of Canadian housing policy.

I do not have to tell you that the municipal representation will be one of the most important constituent parts of the conference. Indeed, without the interest and support of the municipalities the conference would hardly be worth holding and we solicit your suggestions. We believe that the conference has an important contribution to make to the resolution of one of the most critical issues facing Canadians today and we feel sure that you would wish to be associated with us in that objective.